

October 9, 2009

Burnet R. Maybank, III
Member
Admitted in SC

VIA ELECTRONIC FILING

Mr. Charles L.A. Terreni
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

**Re: Docket Number 2009-326-C – State Universal Service Support of Basic
Local Service Included in a Bundled Service Offering or Contract
Offering**

Charleston

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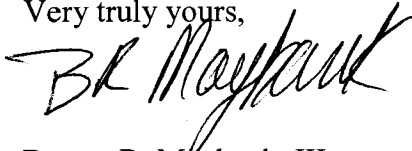
Myrtle Beach

Raleigh

Dear Mr. Terreni:

Enclosed for filing is the pre-filed Direct Testimony of William F. Kreutz on behalf of Windstream South Carolina, LLC in the above referenced Docket. By copy of this letter, I am service all parties of record.

Very truly yours,



Burnet R. Maybank, III

caa

Enclosures

cc: All Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

Docket Number 2009-326-C

**State Universal Service Support of Basic Local Service Included In a Bundled
Service Offering or Contract Offering**

CERTIFICATE OF SERVICE

I, Cathy A. Allen, an employee of Nexsen Pruet, LLC, hereby certify that on this 9th day of October, 2009, served a copy of the attached pre-filed Testimony of William F. Kreutz on behalf of Windstream South Carolina, LLC to the persons below by causing said copy to be sent by regular mail and/or email as shown below:

J. Phillip Carver, Counsel
AT&T
675 West Peachtree St., NE
Atlanta, GA, 30375

Patrick W. Turner, Counsel
BellSouth Telecommunications, Incorporated d/b/a AT&T South Carolina
1600 Williams Street, Suite 5200
PO Box 752
Columbia, SC, 29202
pt1285@att.com

Scott Elliott, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC, 29205
selliott@elliottlaw.us

John. J. Pringle, Jr., Counsel
Ellis, Lawhorne & Sims, P.A.
Post Office Box 2285
Columbia, SC, 29202
jpringle@ellislawhorne.com

M. John Bowen, Jr., Counsel
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211
jbowen@mcnair.net

Margaret M. Fox, Counsel
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, SC, 29211
pfox@mcnair.net

Nanette S. Edwards, Counsel
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC, 29201
nsedwar@regstaff.sc.gov

Steven W. Hamm, Esquire
Richardson Plowden and Robinson, P.A.
Post Office Drawer 7788
Columbia, SC, 29202
shamm@richardsonplowden.com

Bonnie D. Shealy, Counsel
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202
bshealy@robinsonlaw.com

Frank R. Ellerbe, III, Counsel
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, SC, 29202
fellerbe@robinsonlaw.com

William R Atkinson
Sprint Communications Company L. P.
233 Peachtree Street
Suite 2200
Atlanta, GA, 30303
Bill.Atkinson@sprint.com

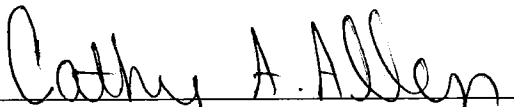
Susan S. Masterton, Counsel
United Telephone Company of the Carolinas d/b/a Embarq
1313 Blair Stone Road
Tallahassee, FL, 32301
susan.masterton@embarq.com

Zel Gilbert, Director External Affairs
United Telephone Company of the Carolinas d/b/a Embarq
Embarq Corporation
1122 Lady Street, Suite 1050
Columbia, SC, 29201
zel.gilbert@embarq.com

Stan Bugner, State Director
Verizon South, Incorporated
1301 Gervais Street, Suite 825
Columbia, SC, 29201
stan.bugner@verizon.com

Benjamin P. Mustian, Counsel
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202
bmustian@willoughbyhoefer.com

John M.S. Hoefer , Counsel
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202-8416
jhoefer@willoughbyhoefer.com


Cathy A. Allen

STATE OF SOUTH CAROLINA

(Caption of Case)

State Universal Support of Basic Local Service
Included in a Bundled Service Offering or Contract
Offering

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2009 - 326 - C

(Please type or print)

Submitted by: Burnet R. Maybank IIIAddress: Nexsen Pruet, LLC1230 Main Street, Suite 700Columbia, SC 29201SC Bar Number: 3699Telephone: 803-771-8900Fax: 803-253-8277

Other: _____

Email: bmaybank@nexsenpruet.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☒ Other: Prefiled Direct Testimony and Exhibits

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input checked="" type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input checked="" type="checkbox"/> Other: <u>Cover Sheet</u>
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other: _____	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

Print Form

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**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

Docket No. 2009-326-C

IN RE:)
)
)
State Universal Service Support)
of Basic Local Service Included In)
a Bundled Service Offering or)
Contract Offering)
)
)
)

DIRECT TESTIMONY OF WILLIAM F. KREUTZ ON BEHALF OF
WINDSTREAM SOUTH CAROLINA, LLC

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is William F. Kreutz. I am the Director Regulatory Strategy for
3 Windstream Communications, Inc. My business address is 4001 Rodney
4 Parham Road Little Rock, Arkansas 72212.

5
6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
7 **EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.**

8 A. A biography of my educational and business experience is provided as
9 Exhibit WK-1.

10
11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. The purpose of my testimony is to present Windstream's position
14 regarding the sole issue to be addressed in this proceeding which is
15 whether basic local service should receive State Universal Service support
16 when it is included in a bundled service offering or contract offering? As
17 Windstream indicated in its August 17, 2009 Statement of Position filing in
18 this docket, basic local service included as part of a bundled service
19 offering or contract offering should receive State Universal Service
20 support. The position advocated by the South Carolina Cable Television
21 Association, Competitive Carriers of the South ("CompSouth"), tw telecom
22 of south carolina llc, and NuVox Communications, Inc. (jointly "CLECs")
23 and Sprint Communications Company L.P. ("Sprint") ignores the Public

1 Service Commission of South Carolina (“Commission”) past guidelines on
2 what types of services should be supported and propose a change of
3 procedures that are inconsistent with the Federal Commission
4 Commission’s (“FCC”) Universal Service Fund (“USF”) procedures and is
5 contrary to the public interest.
6

7 **Q. DO THE COMMISSION’S GUIDELINES PROVIDE SUPPORT TO LINES**
8 **PROVISIONED AS PART OF A BUNDLE?**

9 A. Yes. The Commission’s Guidelines for South Carolina Universal Service
10 Fund¹ on page 1 defines “universal service” as “the provision of basic local
11 exchange telecommunications service, at affordable rates and upon
12 reasonable request, to all single-party residential and single-line business
13 customers within a designated service area”. It also defines “basic local
14 exchange telecommunications service” as “single-party residential and
15 single-line business customers access to basic voice grade local service
16 with dual-tone multi-frequency (DTMF) signaling (i.e., Touch-tone), access
17 to available emergency services and directory assistance, the capability to
18 access interconnecting carriers, access to dual party relay services,
19 access to operator services, one annual local directory listing, and toll
20 limitations at the request of the low income consumer or in order to
21 prevent further losses by the carrier of last resort, for low-income
22 consumers participating in Lifeline (subject to technical feasibility)”.

¹ Issued October 10, 2001 Docket No. 97-239-C – Order No. 2001-996

1 Eligible Telecommunications Carriers (“ETCs”) therefore are entitled to
2 receive support for all lines that include the listed services included in the
3 definition of basic local exchange telecommunications service. To the
4 extent that ETCs do not include all of the required listed services in a
5 bundled or contract offering, then Windstream would agree that USF
6 support would not be appropriate for such bundled lines. However,
7 Windstream does provide these listed services in all bundled services and
8 therefore such lines are eligible for support. As a result of this proceeding,
9 it may be appropriate for the Commission to require ETCs to validate that
10 the required services are included in all bundled lines the ETC reports to
11 the administrator.

12
13 **Q. HAS THE COMMISSION PREVIOUSLY ADDRESSED A SIMILAR**
14 **ATTEMPT TO LIMIT THE NUMBER OF LINES THAT ARE ELIGIBLE**
15 **FOR USF SUPPORT?**

16 **A.** Yes, in Docket No. 97-239-C AT&T, MCI, WorldCom, ACSI proposed that
17 funding should only be provided for the primary residential access line².
18 The Commission rejected this proposal and again rejected it in Docket No.
19 97-239-C – Order No. 2001-419.³ The Commission’s reasoning in this
20 proceeding was that if the secondary line had to be priced to cover its cost
21 that in “rural areas this could mean the difference between a customer
22 having or not having a second line (internet access, etc.)” The same

² Docket No. 97-239-C – Order No. 97-753 page 13.

1 policy issue is relevant in this proceeding. If bundled lines were not
2 eligible for USF, then customers in rural areas would not have the same
3 benefits that customers in urban areas enjoy because the price of the
4 bundle would have to increase to recover the amount of the cost of the
5 underlying basic local exchange telecommunications service. This result
6 is contrary to the policy directives of the Telecom Act of 1996 and this
7 Commission.

8
9 **Q. WHY IS IT APPROPRIATE FOR BUNDLED LINES TO RECEIVE USF**
10 **SUPPORT?**

11 A. The Commission's Guidelines⁴ at page 4 under Section 4 Revenue
12 Neutrality states, "Effective with implementation of the USF, incumbent
13 LECs should reduce prices for intrastate services that include implicit
14 support for universal service to offset the gross amount received from the
15 USF". Further, in Section 9, Size of the Fund, page 7, the Commission
16 outlines the Initial Phase of state USF and states, "The first step will
17 consist of a reduction in intrastate access rates..." On Attachment III of the
18 Guidelines, there is an outline of the calculation of the exact per line
19 support amount directly related to the access reductions in the Initial
20 Phase.

21 As discussed above, only lines that include the listed services for basic
22 local telecommunications service are eligible for USF support. Included in

³ Docket No. 97-239-C – Order No. 2001-419 page 43.

⁴ Docket No. 97-239-C – Order No. 2001-996.

1 those listed services is “the capability to access interconnecting carriers”.
2 To the extent bundled lines have this capability then they are lines that
3 currently generate access revenues and therefore would be lines that are
4 currently receiving the benefit of the Initial Phase access rate reductions.
5 To suddenly eliminate the bundled lines from USF eligibility would undo
6 the fundamentals of the establishment of the Initial Phase per line
7 amounts.

8
9 **Q. THE PROPONENTS FOR ELIMINATING BUNDLED LINES FROM USF**
10 **SUPPORT ARGUE THAT SINCE BUNDLE OFFERINGS ARE NO**
11 **LONGER REGULATED BY THE COMMISSION THEY SHOULD NOT**
12 **RECEIVE USF SUPPORT.⁵ IS THIS APPROACH CONSISTENT WITH**
13 **THE GUIDELINES OF THE USF?**

14 **A.** No. The underlying rational of the proponents appears to be the theory
15 that if bundle offerings are not subject to Commission regulation that there
16 are “additional sources of revenue available from these lines than basic
17 local voice service”.⁶ First, whether additional sources of revenue are
18 available to these lines is not an issue unique to bundled lines. A basic
19 local exchange telecommunications service stand-alone line also could
20 have other sources of revenue since they could be sold in conjunction with
21 feature service packages and long distance services. Bundled lines that
22 are no longer subject to Commission regulation are no different than other

⁵ Docket No. 1997-239-C, CLEC July 17, 2008 Reply to Responses of Office of Regulatory Staff and the SCTC.

1 lines sold with services other than basic local service. Second, the CLECs
2 seem to argue that bundle offerings are sold at excessive prices over and
3 above the summation of the stand-alone prices of the bundle. The CLECs
4 are incorrect. The purpose of a bundle is to offer consumers a benefit over
5 purchasing services at stand-alone prices.

6
7 **Q. WOULD ELIMINATING BUNDLED LINES FROM USF ELIGIBILITY BE**
8 **CONTRARY TO THE FEDERAL USF PROCEDURE?**

9 A. Yes. The FCC does not make a distinction for bundled lines for purposes
10 of Universal Service funding and bundled lines are eligible for support. As
11 mentioned above the Commission has used adherence to FCC
12 procedures as a guideline in the past. The Commission rejected a
13 proposal to eliminate non-primary lines from USF support in Docket No.
14 97-239-C – Order No. 2001-419. In this order, at page 44 and 45, it
15 states, “The FCC does not make a distinction between primary and
16 secondary lines for purposes of Universal Service funding at the federal
17 level. See 47 C.F.R. Part 54. We likewise decline to do so.”

18
19 **Q. DO THE CLECS TAKE THE POSITION THAT THE SOUTH CAROLINA**
20 **USF NEEDS TO BE CONSISTENT WITH THE FEDERAL USF?**

21 A. Yes. The CLEC’s July 3, 2008 filing in Docket No. 1997-239-C at page 8
22 argue that the federal statute 47 U.S.C. §254 “authorizes the states to
23 implement programs to protect and advance universal service. However,

⁶ Docket No. 2009-326-C, Sprint’s Statement of Position August 17, 2009.

1 it requires that any such program be done in a manner consistent with the
2 FCC's USF rules...". The current policy of including bundled lines as
3 eligible for USF support is consistent with federal USF policy.
4

5 **Q. WOULD ELIMINATING BUNDLED LINES FROM USF ELIGIBILITY BE**
6 **IN THE PUBLIC INTEREST?**

7 A. No. Consumers receive a value from purchasing bundle services and the
8 purchase of these service offerings is completely on a voluntary basis. If
9 USF support for these lines were suddenly eliminated, it could change the
10 decisions by ETCs to offer certain bundle service offerings in areas that
11 receive support. Bundle offerings provide options and value for consumers
12 and actually advance competition. In Docket No. 97-239-C – Order No.
13 2001-419 page 44, the Commission noted the importance of USF on
14 competition where it states, "The State USF will also benefit customers in
15 rural areas by providing an incentive for competing carriers to provide
16 service in those areas." Without USF support for bundled line service new
17 entrants may choose to avoid entering certain markets.
18

19 **Q. ARE COMPETITIVE CARRIERS ELIGIBLE TO RECEIVE SUPPORT**
20 **FOR BUNDLED LINES?**

21 A. Yes. Competitive carriers that choose to apply and get certification as an
22 ETC would be eligible to receive support for bundled lines so long as
23 those lines included the required listed services. However, the CLECs who

1 are protesting the eligibility of USF for bundled lines, have chosen not to
2 become ETCs and take on the Carrier of Last Resort ("COLR") obligations
3 that accompany ETC status. This is not a reason for the Commission to
4 buy their arguments that USF on bundled lines is harmful to competition.
5 The fact of the matter is that CLECs do not want ETCs to have the ability
6 to offer attractive bundle offerings to the consumer.
7

8 **Q. HOW WOULD ELIMINATING BUNDLED LINES FROM USF**
9 **ELIGIBILITY EFFECT THE ADVANCEMENT OF BROADBAND IN ETC**
10 **SERVICE AREAS?**

11 A. Unfortunately it would have a negative impact on the advancement of
12 broadband. Since the USF is intended to support the cost of COLR, any
13 reduction in COLR support would harm the ability of ETCs to continue to
14 expand broadband deployment particularly in high cost rural areas.
15

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.
18
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20
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27

WILLIAM F. KREUTZ

BIOGRAPHY

I received a Bachelor of Science degree from the University of Missouri – Columbia in 1973 with a major in accounting and a Master's degree in Business Administration in 1990 from Northern Illinois University. I began my career with Contel, an independent operating telephone company, in 1973. From 1973 to 1991 I held various accounting, budget, revenue and regulatory positions at Contel.

In 1991, Contel merged with GTE and in August 1991, I became Manager-Regulatory Planning and Management for GTE in Irving, Texas. In that capacity, I was responsible for the filing and management of cases with state regulatory agencies. In 1996, I became the Director of Regulatory and Government Affairs in Indiana. I was responsible for all contact with the Indiana Utility Regulatory Commission, state government agencies and the General Assembly.

In 2000, GTE merged with Bell Atlantic and became Verizon Communications where I maintained the same position. In October 2001 I retired from Verizon.

In February 2002, I began doing contract work on behalf of Valor Telecom and in February 2004, I became Regulatory Director at Valor responsible for all federal, state regulatory policy and administrative activities.

1 In July 2006, Valor merged with Alltel Communications wireline division to
2 become Windstream Communications and I assumed my current position
3 Director Regulatory Strategy. In my current position I am responsible for the
4 federal and state regulatory policy regarding universal service, intercarrier
5 compensation, costing and pricing for Windstream's sixteen state operations.

6